

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SANTO DOMINGO

UNCLAS STATE 206992

FOLLOWING SENT ACTION KINGSTON FROM STATE OCT. 16,
REPEATED TO YOU:

QUOTE

UNCLAS STATE 206992

E.O. 11652:N/A

TAGS:EIND, JM

SUBJECT:OPIC - RELEASE OF CHURCH SUB-COMMITTEE REPORT

1. AT 11:00 A.M. PRESS CONFERENCE OCTOBER 17, SENATOR FRANK CHURCH RELEASED THE REPORT ON OPIC PREPARED BY SENATE SUB-COMMITTEE ON MULTI-NATIONAL CORPORATIONS. EXCERPTS FROM PORTION OF THAT REPORT DEALING WITH JAMAICA ARE GIVEN BELOW. OPIC REBUTTAL TO CHURCH SUB-COMMITTEE REPORT RELEASED BY OPIC PRESIDENT MARSHALL MAYS AT SEPARATE PRESS CONFERENCE. TEXT BOTH REPORTS BEING POUCHED.

2. "THE SUBCOMMITTEE WAS LED TO CONDUCT A SPECIAL INVESTIGATION OF THE INSURANCE PROGRAM IN JAMAICA BECAUSE THE AMOUNT OF GUARANTEES ISSUED IN THAT COUNTRY--IN EXCESS OF \$500 MILLION--APPEARED TO BE EXCESSIVELY LARGE IN RELATIONSHIP TO THE SIZE OF THE COUNTRY. MOREOVER, VIRTUALLY ALL THE GUARANTEES PERTAINED TO ONE INDUSTRY ALUMINA AND BAUXITE. BAUXITE IS CONSIDERED A STRATEGIC MATERIAL AND UNCLASSIFIED

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THE UNITED STATES IMPORTS APPROXIMATELY 87 PERCENT OF ITS BAUXITE/ALUMINA NEEDS AND ALMOST HALF OF THAT COMES FROM JAMAICA. BEFORE THE HOUSE FOREIGN AFFAIRS SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY IN CONNECTION WITH OPIC, ADVO-

CATES OF OPIC SPECIFICALLY CITED BAUXITE/ALUMINA

GUARANTEES IN JAMACIA AS AN EXAMPLE OF HOW THE INVESTMENT

GUARANTEE PROGRAM HELPS TO ASSURE THE UNITED STATES OF A SECURE SOURCE OF THIS STRATEGIC RAW MATERIAL, THUS, THE SUBCOMMITTEE CHOSE JAMAICA AS A TEST CASE OF THE THESIS THAT THE GUARANTEE PROGRAM ACCOMPLISHES THE PURPOSE OF ASSURING THE UNITED STATES A SECURE SOURCE OF A VITAL RAW MATERIAL WITHOUT LEADING TO A DEEPING POLITICAL INVOLVEMENT IN THE AFFAIRS OF HOST COUNTRIES."

3. "IN TESTIMONY BEFORE THE SUBCOMMITTEE HE (AMBASSADOR DE ROULET) RELATED THAT, UPON REVIEWING THE EXISTING LEVEL OF GUARANTEES AUTHORIZED FOR BAUXITE/ALUMINA PROJECTS IN JAMAICA, AND THE ADDITIONAL GUARANTEES IT WAS PROPOSED THAT OPIC ISSUE, HE WAS APPALLED. IN HIS OPINION, THE PROPOSED \$500 MILLION LEVEL OF GUARANTEES IN THIS ONE INDUSTRY IN A SINGLE, SMALL COUNTRY, WAS UNSOUND. IN EARLY 1970, WHILE IN KINGSTON, JAMAICA HE RECEIVED A COPY OF AN INTERNAL STATE DEPARTMENT MEMORANDUM, WRITTEN IN WASHINGTON INDICATING STATE DEPARTMENT APPROVAL OF THE ISSUANCE OF THE ADDITIONAL GUARANTEES AND SHOWING THAT HE, DE ROULET, CONCURRED IN THIS APPROVAL. THE AMBASSADOR IMMEDIATELY COMMUNICATED HIS OBJECTION TO BEING RECORDED AS CONCURRING IN THIS DECISION."

4."AMBASSADOR DE ROULET TESTIFIED THAT: QUOTE A) HE HAD BEEN INFORMED IN JAMAICA IN MAY OF 1970 BY KAISER'S PRESIDENT CHIEF ENGINEER ON THE ALPART PROJECT THAT THE ALPART PARTNERS WERE SO FAR COMMITTED TO THE EXPANSION (RAISING PRODUCTION CAPACITY FROM 950 THOUSAND TO ONE MILLION THREE HUNDRED THOUSAND TONS) THAT THEY WOULD HAVE TO GO AHEAD WITH THE EXPANSION REGARDLESS OF WHETHER OR NOT AID ISSUED THE ADITONAL INVESTMENT GUARANTEES AND THAT HE COMMUNICATED THIS OBSERVATION TO THE STATE DEPARTMENT IN UNCLASSIFIED

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WASHINGTON; (B) HE FELT HIMSELF UNDER CONSIDERABLE PRESURE FROM THE COMPANIES CONCERNED, OPIC OFFICIALS AND THE GOVERNMENT OF JAMAICA, TO GIVE HIS CONCURRENCE TO THE ISSUANCE OF THE GUARANTEES; (C) IN JULY OF 1970, AGAINST HIS BETTER JUDGEMENT, BUT BECAUSE HE CONSIDERED THE ULTIMATE ISSUANCE OF THE GUARANTEES A FOREGONE CONCLUSION, HE WITHDREW HIS OBJECTIONS TO THE ISSUANCE OF THE GUARANTEES, BUT ONLY AFTER HE FELT HE HAD OBTAINED CERTAIN ASSURANCES FROM THE GOVERNMENT OF JAMAICA AND THE COMPANIES AS TO THE FUTURE BEHAVIOR OF BOTH PARTIES. END QUOTE"

5. "WHEN QUERIED BY SENATOR CASE, HE ACKNOWLEDGED THAT THE REFUSAL TO CONCUR IN THE ISSUANCE OF SUCH GUARANTEES WOULD HAVE BEEN INTERPRETED BY THE JAMAICAN GOVERNMENT AS AN

INDICATION OF NO CONFIDENCE ON THE PART OF THE UNITED STATES GOVERNMENT IN THE JAMAICAN ECONOMY AND POLITICAL LEADERSHIP. AMBASSADOR DE ROULET FURTHER TESTIFIED THAT HE FELT A HEIGHTENED RESPONSIBILITY TO ASSURE THAT JAMAICAN GOVERNMENT POLICIES WERE FAVORABLE TOWARD THE UNITED STATES INVESTORS IN THE BAUXITE/ALUMINA INDUSTRY BECAUSE OF THE POTENTIAL FINANCIAL LIABILITY OF THE UNITED STATES TREASURY, AS A CONSEQUENCE OF THE FACT THAT OPIC'S LIABILITY (AS WITH THAT OF A.I.D. BEFORE IT) IS BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES GOVERNMENT. IN SEPTEMBER 1970, WITH AMBASSADOR DE ROULET'S OBJECTIONS WITHDRAWN (DEPUTY ASSISTANT SECRETARY OF STATE HURWITCH TESTIFIED THAT HAD SUCH OBJECTIONS NOT BEEN WITHDRAWN, HE WOULD HAVE OVERRIDDEN THEM IN WASHINGTON FOR POLITICAL REASONS AND APPROVED THE ISSUANCE OF THE FULL AMOUNT OF THE GUARANTEES), THE ADDITIONAL \$261.6 MILLION IN GUARANTEES WHICH HAD BEEN APPLIED FOR BY KAISER, REYNOLDS, ALCOA AND REVERE WAS APPROVED

6. IN 1972 HE (DE ROULET) ATTEMPTED TO CONVINCE THE JAMAICAN LEADERSHIP NOT TO MAKE THE 100 PERCENT U.S. COMPANY OWNERSHIP OF THE JAMAICAN BAUXITE/ALUMINA INDUSTRY-- DESCRIBED BY ONE OF THE LEADERS OF THE TWO CONTENDING UNCLASSIFIED

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PARTIES AS THE KEY POLITICAL QUESTION IN THE FORTHCOMING JAMAICAN PARLIAMENTARY ELECTIONS--A POLITICAL FOOTBALL IN THAT ELECTION. CERTAIN THAT THE PARTY IN POWER WOULD NOT BRING UP THE ISSUE IF THE OPPOSITION DID NOT. DE ROULET APPROACHED THE PNP CANDIDATE MICHAEL MANLEY AND SOUGHT TO PERSUADE HIM TO KEEP THE BAUXITE QUESTION OUT OF THE CAMPAIGN. IN RETURN, DE ROULET TESTIFIED, "I TOLD HIM I WAS PREPARED TO GIVE HIM MY COMMITMENT AS A GENTLEMAN... IN EXCHANGE FOR THESE COMMITMENTS FROM HIM...WE WOULD NOT REPEAT NOT, INTERFERE IN HIS ELECTIONS IN ANY WAY... AMBASSADOR DE ROULET ALSO ARGUED THAT EXPROPRIATION WOULD NOT BE IN JAMAICA'S ECONOMIC INTEREST. SUCH INTERVENTION IN FACT WAS NEVER CONTEMPLATED, ACCORDING TO THE TESTIMONY OF BOTH HURWITCH AND DE ROULET, ALTHOUGH GENUINELY FEARED BY IMPORTANT JAMAICAN POLITICAL LEADERS. DE ROULET PLAYED UPON THIS FEAR TO PROTECT UNITED STATES BAUXITE/ALUMINA INTERESTS FROM NATIONALIZATION. HIS OBJECTIVE WAS ACCOMPLISHED. THOUGH MANLEY WAS ELECTED, THE EXPROPRIATION ISSUE WAS NEVER RAISED DURING THE CAMPAIGN."

7. "IT WOULD BE BASELESS TO CONTEND THAT WITHOUT THE INVESTMENT GUARANTEE COMMITMENTS AND THE POTENTIAL UNITED STATES TREASURY LIABILITY BEHIND THEM THE US AMBASSADOR IN JAMAICA, WHOEVER HE MIGHT BE WOULD NOT BE CONCERNED ABOUT HALF A BILLION DOLLARS OF INVESTMENTS BY U.S. COM-

PANIES IN RAW MATERIAL FACILITIES CRITICAL TO THE UNITED STATED ECONOMY. BUT THE TESTIMONY ALSO EVIDENCED THE FACT, WITHOUT SUCH GUARANTEES THE COMPANIES MIGHT NOT HAVE INVESTED IN SUCH A CONCENTRATED FASHION IN JAMAICA,OR IF THEY HAD THEY MIGHT HAVE DONE SO IN A MANNER DESIGNED TO BRING JAMAICAN AND OTHER SOURCES OF CAPITAL INTO THE INVESTMENT SCHEMES; THUS DIFFUSING THEIR POLITICAL RISKS. THROUGH THE GUARANTEE PROGRAM THOSE RISKS HAVE BEEN ASSUMED INSTEAD, BY THE U.S. GOVERNMENT. AND, AS AMBASSADOR DE ROULET CANDIDLY TESTIFIED. THE ASSUMPTION OF THAT RISK, WITH ITS CONSEQUENT POTENTIAL FINANCIAL LIABILITY OF THE UNITED STATES TREASURY, IMPOSED AN ADDITIONAL BURDEN OF RESPONSIBILITY ON THE U.S. EMBASSY IN JAMAICA AND LED IT INTO THE INTERNAL POLITIES OF JAMAICA."

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8. "IN JULY, 1972, AMBASSADOR DE ROULET WAS INFORMED THAT OPIC WAS CONSIDERING ISSUING A FURTHER GUARANTEE IN THE AMOUNT OF APPROXIMATELY \$8 MILLION FOR A BAUXITE MINING PROJECT BY THE REYNOLDS METALS COMPANY. WHETHER THE ISSUANCE OF THIS GUARANTEE WOULD HAVE CONSTITUTED A NET INCREMENT IN THE AMOUNT OF OPIC INSURED JAMAICAN INVESTMENT GUARANTEES IS IN DISPUTE. WHAT IS NOT IN DISPUTE, HOWEVER, IS THAT THE AMBASSADOR VIGOROUSLY PROTESTED EVEN THE CONSIDERATION BY OPIC OF THIS POTENTIAL NEW COMMITMENT. UPON LEARNING OF THE AMBASSADOR'S OPPOSITION TO THE ISSUANCE OF THESE GUARANTEES, REYNOLDS DISPATCHED A REPRESENTATIVE TO JAMAICA. THIS REPRESENTATIVE, IN THE ABSENCE OF DE ROULET MET WITH THE DEPUTY IN CHARGE OF MISSION AND THE ECONOMIC COUNSELOR OF THE U.S. EMBASSY IN KINGS

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